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BRAND SLAM LIMITED

DIRECTORS' REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

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BRAND SLAM LIMITED

COMPANY INFORMATION

DIRECTORS

M D Kilgore (resigned 31 August 2011)
T P M Boue (resigned 31 August 2011)
J H J De Raaij
R Schlegel (appointed 9 September 2011)
G Zauder (appointed 12 September 2011)

COMPANY NUMBER

06433370

REGISTERED OFFICE

Eighth Floor
6 New Street Square
New Fetter Lane
London
EC4A 3AQ

AUDITORS

Rawlinson & Hunter
Chartered Accountants & Statutory Auditors
Eighth Floor
6 New Street Square
New Fetter Lane
London
EC4A 3AQ

BRAND SLAM LIMITED

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BRAND SLAM LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2011

The directors present their report and the consolidated financial statements of Brand Slam Limited ("the company") and its subsidiaries (collectively "the group") for the year ended 31 December 2011

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

PRINCIPAL ACTIVITY

The company acts as a holding company. Its principal subsidiaries are FitFlop Limited ("FitFlop") and Soap & Glory Limited ("S&G").

The principal activity of FitFlop is the wholesale of footwear and related items to a global market.

The principal activities of S&G are the generation of license fee income from the exploitation of intellectual property rights, as well as the direct sale of Soap & Glory branded products.

BUSINESS REVIEW

2011 was a transitional year during which US organisations were established for both FitFlop and S&G to position these companies for further growth. The directors are happy with the continued growth of revenues despite the difficult economic environment in most of the markets we operate. The reduction in operating profit was mainly caused by the preparation of FitFlop and S&G for the next phase of their projected growth.

BRAND SLAM LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2011

RESULTS AND DIVIDENDS

The profit for the year, after taxation and minority interests, amounted to £6,842,000 (2010 - £8,373,000)

The directors do not recommend the payment of a dividend

DIRECTORS

The directors who served during the year were

M D Kilgore (resigned 31 August 2011)
T P M Boue (resigned 31 August 2011)
J H J De Raaij
R Schlegel (appointed 9 September 2011)
G Zauder (appointed 12 September 2011)

CHARITABLE DONATIONS

The group made charitable donations of £264,000 (2010 - £83,000) during the year to the following charities

	£000
Breast Care Research Foundation	3
Prince's Trust Trading Limited	1
SOGB Promotions Limited	38
Make-A-Wish Foundation UK	220
Various other community and healthcare charities	2
Total	<u>£ 264</u>

PRINCIPAL RISKS AND UNCERTAINTIES

The group is exposed to financial risk through its financial assets and liabilities. The key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations arising from liabilities as they fall due. Due to the nature of the group's business and the assets and liabilities contained within the Consolidated Balance Sheet, the only financial risks the directors consider relevant to this group are credit risk and foreign exchange risk.

Credit risk

The group's exposure to credit risk arises in respect of the amounts recoverable from trade debtors. During the year under review, the directors have found that the level of bad or doubtful debts has been extremely low partly due to the demand for the group's products encouraging customers to pay to keep supply flowing and also because of credit control processes put in place by the group. The group continues to review credit control processes with a view to mitigating the likelihood of bad debts arising.

BRAND SLAM LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2011

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Foreign exchange risk

A significant proportion of the group's transactions are denominated in United States Dollars. The directors do not consider foreign exchange risk to be a significant concern as long as the primary economic currency for the FitFlop business continues to be United States Dollars, with suppliers and customers preferring to transact in that currency. This situation provides a natural hedge against exchange rate fluctuations.

Other income streams as well as the majority of overhead costs for the entire group are predominantly denominated in Sterling.

PROVISION OF INFORMATION TO AUDITORS

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that

- so far as that director is aware, there is no relevant audit information of which the company and the group's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company and the group's auditors in connection with preparing their report and to establish that the company and the group's auditors are aware of that information.

AUDITORS

Under section 487(2) of the Companies Act 2006, Rawlinson & Hunter will be deemed to have been reappointed as auditors 28 days after these financial statements are sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

This report was approved by the board and signed on its behalf



J H J De Raaij
Director

Date

7/9/12

BRAND SLAM LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF BRAND SLAM LIMITED

We have audited the group and company financial statements ("the financial statements") of Brand Slam Limited for the year ended 31 December 2011, which comprise the Consolidated Profit and Loss Account, the Consolidated Statement of Total Recognised Gains and Losses, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's shareholders, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an Auditors' Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group's and the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements

- give a true and fair view of the state of the group's and the company's affairs as at 31 December 2011 and of the group's profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

BRAND SLAM LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF BRAND SLAM LIMITED

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us, or
- the company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Christopher Bliss (Senior statutory auditor)

for and on behalf of
Rawlinson & Hunter

Chartered Accountants
Statutory Auditors

Eighth Floor
6 New Street Square
New Fetter Lane
London
EC4A 3AQ

Date

11 September 2012.

BRAND SLAM LIMITED

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2011**

	Note	2011 £000	2010 £000
TURNOVER	1,2	95,630	83,201
Cost of sales		(63,638)	(52,227)
GROSS PROFIT		31,992	30,974
Administrative expenses		(28,695)	(18,410)
OPERATING PROFIT	3	3,297	12,564
EXCEPTIONAL ITEMS	7		
Gain on sale of fixed asset investment	7	5,151	-
Interest receivable and similar income		2	2
Interest payable and similar charges		(2)	(2)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		8,448	12,564
Tax on profit on ordinary activities	8	(1,203)	(3,787)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		7,245	8,777
Minority interests		(403)	(404)
PROFIT FOR THE FINANCIAL YEAR	17	£ 6,842	£ 8,373

All amounts relate to continuing operations

The notes on pages 11 to 26 form part of these financial statements

BRAND SLAM LIMITED

**CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2011**

	Note	2011 £000	2010 £000
PROFIT FOR THE FINANCIAL YEAR		6,842	8,373
Currency translation differences on foreign currency net investment		74	329
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR		<u>£ 6,916</u>	<u>£ 8,702</u>

The notes on pages 11 to 26 form part of these financial statements

BRAND SLAM LIMITED
REGISTERED NUMBER: 06433370

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2011

	Note	£000	2011 £000	£000	2010 £000
FIXED ASSETS					
Intangible fixed assets	9		332		70
Tangible fixed assets	10		2,195		1,632
			<u>2,527</u>		<u>1,702</u>
CURRENT ASSETS					
Stocks	12	15,515		13,567	
Debtors	13	20,730		14,787	
Cash at bank		6,149		3,163	
		<u>42,394</u>		<u>31,517</u>	
CREDITORS: amounts falling due within one year	14	(17,347)		(13,348)	
NET CURRENT ASSETS			25,047		18,169
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>£ 27,574</u>		<u>£ 19,871</u>
CAPITAL AND RESERVES					
Called up share capital	16		11		11
Foreign exchange reserve	17		991		917
Profit and loss account	17		24,538		17,696
SHAREHOLDERS' FUNDS - ALL EQUITY	18		25,540		18,624
MINORITY INTERESTS	19		2,034		1,247
			<u>£ 27,574</u>		<u>£ 19,871</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by


J H J De Raaij
 Director

Date 7/9/12

The notes on pages 11 to 26 form part of these financial statements

BRAND SLAM LIMITED
REGISTERED NUMBER. 06433370

COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2011

	Note	£000	2011 £000	£000	2010 £000
FIXED ASSETS					
Investments	11		676		677
CURRENT ASSETS					
Debtors	13	6,759		6,078	
Cash at bank		4,427		203	
		<u>11,186</u>		<u>6,281</u>	
CREDITORS: amounts falling due within one year	14	<u>(200)</u>		<u>(638)</u>	
NET CURRENT ASSETS			<u>10,986</u>		<u>5,643</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>£ 11,662</u>		<u>£ 6,320</u>
CAPITAL AND RESERVES					
Called up share capital	16		11		11
Profit and loss account	17		<u>11,651</u>		<u>6,309</u>
SHAREHOLDERS' FUNDS - ALL EQUITY	18		<u>£ 11,662</u>		<u>£ 6,320</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by


J H J De Raaij
 Director

Date

7/9/12

The notes on pages 11 to 26 form part of these financial statements

BRAND SLAM LIMITED

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2011**

	Note	2011 £000	2010 £000
Net cash flow from operating activities	21	2,854	1,320
Taxation		(3,488)	(2,440)
Capital expenditure and financial investment	22	(1,696)	(1,461)
Acquisitions and disposals	22	5,287	-
CASH INFLOW/(OUTFLOW) BEFORE FINANCING		<u>2,957</u>	<u>(2,581)</u>
Financing	22	29	823
INCREASE/(DECREASE) IN CASH IN THE YEAR		<u>£ 2,986</u>	<u>£ (1,758)</u>

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS
FOR THE YEAR ENDED 31 DECEMBER 2011**

	2011 £000	2010 £000
Increase/(decrease) in cash in the year	2,986	(1,758)
Cash outflow from decrease in debt and lease financing	10	-
CHANGE IN NET DEBT RESULTING FROM CASH FLOWS	<u>2,996</u>	<u>(1,758)</u>
Other non-cash changes	-	88
MOVEMENT IN NET FUNDS IN THE YEAR	<u>2,996</u>	<u>(1,670)</u>
Net funds at 1 January 2011	3,153	4,823
NET FUNDS AT 31 DECEMBER 2011	<u>£ 6,149</u>	<u>£ 3,153</u>

The notes on pages 11 to 26 form part of these financial statements

BRAND SLAM LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards

1.2 Basis of consolidation

The financial statements consolidate the accounts of Brand Slam Limited and all of its subsidiary undertakings ("the subsidiaries")

The results of subsidiaries acquired during the year are included from the effective date of acquisition

The results of subsidiaries sold are included up to the effective date of disposal

1.3 Turnover

Turnover comprises revenue recognised by the group in respect of goods and services supplied during the year, exclusive of Value Added Tax and trade discounts

For the majority of sales, revenue is recognised when goods are dispatched to customers. For other transactions revenue is recognised when the goods are delivered to the customer or alternatively when the goods become freight on board. In all cases, revenue is recognised at the appropriate point taking account of the underlying contract.

Stock returns are recognised when they are accepted by the group and reported turnover is reduced accordingly.

Revenue in respect of license fees receivable is recognised once the sale has been completed by a licensee.

1.4 Intangible fixed assets and amortisation

Intangible fixed assets are stated at cost less amortisation. They are amortised to the Consolidated Profit and Loss Account over their estimated useful economic lives on the following bases:

Patents and trademarks	-	10 years straight line
Goodwill	-	20 years straight line

1.5 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Leasehold improvements	-	3 years straight line
Fixtures & fittings	-	3 years straight line
Computer equipment	-	3 years straight line
Office equipment	-	3 years straight line

BRAND SLAM LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

1. ACCOUNTING POLICIES (continued)

1.6 Investments

- (i) **Subsidiary undertakings**
Investments in subsidiaries are valued at cost less provision for impairment, if any
- (ii) **Other investments**
Investments held as fixed assets are shown at cost less provision for impairment, if any

1.7 Operating leases

Rentals under operating leases are charged to the Consolidated Profit and Loss Account on a straight line basis over the lease term

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate

1.8 Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs

1.9 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse

Deferred tax assets and liabilities are not discounted

BRAND SLAM LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011**

1. ACCOUNTING POLICIES (continued)

1.10 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the Balance Sheet date

Transactions in foreign currencies are translated into sterling at the rate of exchange ruling on the date of the transaction

Exchange gains and losses are recognised in the Consolidated Profit and Loss Account

Assets and liabilities of subsidiary undertakings denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the Balance Sheet date. The results of foreign subsidiaries are translated at the weighted average of exchange rates for the year. Differences on exchange arising from the retranslation of the opening net assets of subsidiary undertakings and from the retranslation of the results of those companies at the weighted average rate are taken to reserves and are reported in the Consolidated Statement of Total Recognised Gains and Losses

1.11 Pensions

The group contributes to the personal pension plans of employees and the pension charge represents the amounts payable by the group to the pension plans in respect of the year

1.12 FitFlop Employee Benefit Trust

The assets, liabilities, income and expenditure of the FitFlop Employee Benefit Trust have been consolidated into these financial statements in accordance with UITF Abstract 32

1.13 Related party transactions

The company has taken advantage of exemptions within FRS 8 in respect of transactions with wholly owned group undertakings which have been eliminated on consolidation

2. TURNOVER

An analysis of turnover by class of business is as follows

	2011	2010
	£000	£000
Footwear	87,610	77,656
License fees	5,177	4,536
Cosmetics	2,843	1,009
	<u>£ 95,630</u>	<u>£ 83,201</u>

BRAND SLAM LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011**

2. TURNOVER (continued)

An analysis of turnover by geographical area is as follows

	2011 £000	2010 £000
United Kingdom	29,419	33,841
United States	19,691	20,891
European Union	15,374	13,901
Rest of World	31,146	14,568
	<u>£ 95,630</u>	<u>£ 83,201</u>

3. OPERATING PROFIT

The operating profit is stated after charging/(crediting)

	2011 £000	2010 £000
Amortisation - intangible fixed assets	32	20
Depreciation of tangible fixed assets		
- owned by the group	1,041	630
Operating lease rentals		
- other operating leases	504	175
Difference on foreign exchange	82	(38)
	<u> </u>	<u> </u>

4. AUDITORS' REMUNERATION

	2011 £000	2010 £000
Fees payable to the company's auditor for the audit of the company's financial statements	13	6
Fees payable to the company's auditor in respect of		
The audit of subsidiaries of the company pursuant to legislation	68	35
Tax compliance services	12	10
All other services	306	231
	<u> </u>	<u> </u>

BRAND SLAM LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011**

5. STAFF COSTS

Staff costs, including directors' remuneration, were as follows

	2011	<i>2010</i>
	£000	<i>£000</i>
Wages and salaries	9,342	5,628
Social security costs	820	568
Other pension costs	153	99
	<u>£ 10,315</u>	<u>£ 6,295</u>

The average monthly number of employees, including the directors, during the year was as follows

	2011	<i>2010</i>
	No.	<i>No</i>
Operations and Administration	<u>158</u>	<u>90</u>

6. DIRECTORS' REMUNERATION

	2011	<i>2010</i>
	£000	<i>£000</i>
Emoluments	<u>£ 525</u>	<u>£ 783</u>
Group pension contributions to directors' personal pension plans	<u>£ -</u>	<u>£ 20</u>

During the year retirement benefits were accruing to 1 director (2010 - 1) in respect of personal pension plans to which the group contributes

The highest paid director received remuneration of £312,000 (2010 - £393,000)

The value of the group's contributions paid to the highest paid director's personal pension plan amounted to £Nil (2010 - £20,000)

7. EXCEPTIONAL ITEMS

	2011	<i>2010</i>
	£000	<i>£000</i>
Gain on sale of fixed asset investment	<u>£ 5,151</u>	<u>£ -</u>

The gain on sale of fixed asset investment relates to the disposal of a 30% share of Soap & Glory Limited, a subsidiary of the company

BRAND SLAM LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011**

8. TAXATION

	2011 £000	2010 £000
Analysis of tax charge in the year		
Current tax (see note below)		
UK corporation tax charge on profit for the year	878	4,217
Adjustments in respect of prior periods	29	(36)
Double taxation relief	(478)	-
Foreign tax on income for the year	544	-
Total current tax	<u>973</u>	<u>4,181</u>
Deferred tax (see note 15)		
Origination and reversal of timing differences	230	(394)
Tax on profit on ordinary activities	<u>£ 1,203</u>	<u>£ 3,787</u>

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2010 - *higher than*) the standard rate of corporation tax in the UK of 26 49% (2010 - 28%) The differences are explained below

	2011 £000	2010 £000
Profit on ordinary activities before tax	£ 8,448	£ 12,564
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 26 49% (2010 - 28%)	2,238	3,518
Effects of:		
Expenses not deductible for tax purposes	260	234
Difference between capital allowances and depreciation	74	(84)
Adjustment to tax in respect of previous periods	29	(36)
Lower rate taxes on overseas earnings	(175)	-
Non-taxable income	-	(3)
Foreign tax losses carried forward	27	45
Foreign exchange on foreign currency denominated tax liabilities	21	-
Other short term timing differences	(137)	507
Exempt gain on part disposal of subsidiary	(1,364)	-
Current tax charge for the year (see note above)	<u>£ 973</u>	<u>£ 4,181</u>

Factors that may affect future tax charges

Other than the net deferred tax asset in respect of timing differences shown in Note 15, there were no material factors that may affect future tax charges

BRAND SLAM LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

9. INTANGIBLE FIXED ASSETS

Group	Patents and trademarks £000	Goodwill on consolidation £000	Total £000
Cost			
At 1 January 2011	137	-	137
Additions	95	199	294
At 31 December 2011	232	199	431
Amortisation			
At 1 January 2011	67	-	67
Charge for the year	32	-	32
At 31 December 2011	99	-	99
Net book value			
At 31 December 2011	£ 133	£ 199	£ 332
At 31 December 2010	£ 70	£ -	£ 70

BRAND SLAM LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011**

10. TANGIBLE FIXED ASSETS

Group	Leasehold improve- ments £000	Fixtures & fittings £000	Office equipment £000	Computer equipment £000	Total £000
Cost					
At 1 January 2011	975	93	345	1,156	2,569
Additions	521	51	289	741	1,602
Foreign exchange movement	1	-	-	1	2
At 31 December 2011	1,497	144	634	1,898	4,173
Depreciation					
At 1 January 2011	371	-	128	438	937
Charge for the year	426	13	164	438	1,041
At 31 December 2011	797	13	292	876	1,978
Net book value					
At 31 December 2011	£ 700	£ 131	£ 342	£ 1,022	£ 2,195
At 31 December 2010	£ 604	£ 93	£ 217	£ 718	£ 1,632

BRAND SLAM LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

11. FIXED ASSET INVESTMENTS

Company	Shares in group undertakings £000
Cost	
At 1 January 2011	687
Disposals	(11)
At 31 December 2011	676
Impairment	
At 1 January 2011	10
Impairment on disposals	(10)
At 31 December 2011	-
Net book value	
At 31 December 2011	£ 676
At 31 December 2010	£ 677

During the year, the company transferred its 100% investment in Brandhandling International Limited, which was fully impaired, to its wholly owned subsidiary undertaking, Soap & Glory Limited. Also during the year, the company sold 30% of Soap & Glory Limited for cash consideration of £5,500,000.

Subsidiary undertakings

The following were subsidiary undertakings of the company

Company name	Country of Incorporation	Percentage Ownership	Principal Activity
FitFlop Limited	England and Wales	92.4 %	Wholesale of footwear
Soap & Glory Limited	England and Wales	70 %	Wholesale of cosmetics
Brandhandling Limited	England and Wales	100 %	Non-trading
Hold Firm LLC *	United States	92.4 %	Non-trading
FitFlop USA LLC *	United States	92.4 %	Wholesale of footwear
FitFlop International SARL *	Luxembourg	92.4 %	Non-trading
Brandhandling International Limited **	British Virgin Islands	100 %	Non-trading
S&G US Holding LLC **	United States	70 %	Non-trading
Soap & Glory USA LLC **	United States	70 %	Wholesale of cosmetics
Name Drop SARL *	Luxembourg	92.4 %	IP brand management
Fitx2 GmbH *	Germany	92.4 %	Wholesale of footwear

* Held indirectly through FitFlop Limited

** Held indirectly through Soap & Glory Limited

All subsidiaries have a co-terminous year end to the company except for Name Drop SARL, which has a financial year end of 1 January 2012 which is considered co-terminous for the purposes of these consolidated financial statements.

BRAND SLAM LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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12. STOCKS

	<u>Group</u>		<u>Company</u>	
	2011	2010	2011	2010
	£000	£000	£000	£000
Finished goods and goods for resale	£ 15,515	£ 13,567	£ -	£ -

13. DEBTORS

	<u>Group</u>		<u>Company</u>	
	2011	2010	2011	2010
	£000	£000	£000	£000
Due after more than one year				
Amounts owed by group undertakings	-	-	-	4,138
Due within one year				
Trade debtors	13,036	9,306	-	-
Amounts owed by group undertakings	-	-	6,612	1,650
Other debtors	2,604	1,575	144	275
Prepayments and accrued income	4,926	3,512	3	15
Deferred tax asset (see note 15)	164	394	-	-
	<u>£ 20,730</u>	<u>£ 14,787</u>	<u>£ 6,759</u>	<u>£ 6,078</u>

Included in other debtors of the group is £887,000 (2010 - £1,100,000) relating to the FitFlop Employee Benefit Trust, which has been included in the Consolidated Balance Sheet in line with the accounting policy shown in Note 1. This balance consists of cash at bank of £64,000 (2010 - £277,000) and loans to A Mansbridge, S A Thomson and J H J de Raaij (all directors of FitFlop Limited during the period under review) totalling £823,000 (2010 - £823,000). The loans to the directors were each advanced in a single payment and there had been no amounts repaid as at the Balance Sheet date, hence the maximum amount outstanding on these loans during the year was £823,000.

**14. CREDITORS:
Amounts falling due within one year**

	<u>Group</u>		<u>Company</u>	
	2011	2010	2011	2010
	£000	£000	£000	£000
Other loans	-	10	-	10
Trade creditors	12,088	8,577	1	179
Amounts owed to group undertakings	-	-	-	2
Corporation tax	634	2,379	-	121
Social security and other taxes	503	607	162	263
Other creditors	740	113	8	39
Accruals and deferred income	3,382	1,662	29	24
	<u>£ 17,347</u>	<u>£ 13,348</u>	<u>£ 200</u>	<u>£ 638</u>

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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15. DEFERRED TAXATION

	<u>Group</u>		<u>Company</u>	
	2011	2010	2011	2010
	£000	£000	£000	£000
At the beginning of the year	394	-	-	-
Movement during the year	(230)	394	-	-
At the end of the year	<u>£ 164</u>	<u>£ 394</u>	<u>£ -</u>	<u>£ -</u>

The deferred taxation balance is made up as follows

	<u>Group</u>		<u>Company</u>	
	2011	2010	2011	2010
	£000	£000	£000	£000
Accelerated capital allowances	11	(104)	-	-
Other short term timing differences	153	498	-	-
	<u>£ 164</u>	<u>£ 394</u>	<u>£ -</u>	<u>£ -</u>

16. SHARE CAPITAL

	2011	2010
	£000	£000
Authorised, allotted, called up and fully paid		
11,000 Ordinary shares of £1 each	<u>£ 11</u>	<u>£ 11</u>

17. RESERVES

Group	Foreign exchange reserve £000	Profit and loss account £000
At 1 January 2011	917	17,696
Profit for the year	-	6,842
Currency translation differences on foreign currency net investment	74	-
At 31 December 2011	<u>£ 991</u>	<u>£ 24,538</u>

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17 RESERVES (continued)

Company	Profit and loss account £000
At 1 January 2011	6,309
Profit for the year	5,342
	<u> </u>
At 31 December 2011	£ 11,651
	<u> </u>

18. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2011 £000	2010 £000
Group		
Opening shareholders' funds	18,624	9,922
Profit for the year	6,842	8,373
Currency translation differences on foreign currency net investment	74	329
	<u> </u>	<u> </u>
Closing shareholders' funds	£ 25,540	£ 18,624
	<u> </u>	<u> </u>

	2011 £000	2010 £000
Company		
Opening shareholders' funds	6,320	2,171
Profit for the year	5,342	4,149
	<u> </u>	<u> </u>
Closing shareholders' funds	£ 11,662	£ 6,320
	<u> </u>	<u> </u>

The company has taken advantage of the exemption contained within section 408 of the Companies Act 2006 not to present its own Profit and Loss Account

The profit for the year dealt with in the accounts of the company was £5,342,000 (2010 - £4,149,000)

19. MINORITY INTERESTS

Equity	£000
At 1 January 2011	1,247
Share of subsidiary undertaking acquired during the year	388
Share of subsidiary undertaking's profit after taxation for the year	403
Foreign exchange movement	(4)
	<u> </u>
At 31 December 2011	£ 2,034
	<u> </u>

BRAND SLAM LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

20 ACQUISITIONS AND DISPOSALS

On 1 January 2011, the group acquired the entire issued share capital of Fitx2 GmbH, a company incorporated in Germany, for cash consideration of £213,000 (€250,000)

Acquisitions

	Vendors' book value £000	Fair value to the group £000
Assets and liabilities acquired		
Tangible fixed assets	1	1
Stocks	83	83
Debtors	35	35
Cash at bank	3	3
Loans and finance leases	(39)	(39)
Other creditors and provisions	(66)	(66)
Net assets acquired	£ 17	£ 17
Satisfied by		
Consideration		213
Cash		3
Acquisition costs		
		£ 216
		£ 199
Goodwill arising on consolidation (see note 9)		

BRAND SLAM LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011**

21. NET CASH INFLOW FROM OPERATING ACTIVITIES

	2011	2010
	£000	£000
Operating profit	3,297	12,564
Amortisation of intangible fixed assets	32	20
Depreciation of tangible fixed assets	1,041	630
Increase in stocks	(1,864)	(9,548)
Increase in debtors	(5,369)	(8,615)
Increase in creditors	5,649	6,014
Exchange gains of net investments (other than cash)	68	255
Net cash inflow from operating activities	£ 2,854	£ 1,320

22. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT

	2011	2010
	£000	£000
Capital expenditure and financial investment		
Purchase of intangible fixed assets	(95)	(9)
Purchase of tangible fixed assets	(1,601)	(1,452)
Net cash outflow from capital expenditure	£ (1,696)	£ (1,461)

	2011	2010
	£000	£000
Acquisitions and disposals		
Part disposal of subsidiary	5,500	-
Purchase of subsidiary	(216)	-
Cash acquired with subsidiary	3	-
Net cash inflow from acquisitions and disposals	£ 5,287	£ -

	2011	2010
	£000	£000
Financing		
Repayment of other loans	(10)	-
Issue of share capital to minority interest in subsidiary undertaking	39	823
Net cash inflow from financing	£ 29	£ 823

BRAND SLAM LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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23 ANALYSIS OF CHANGES IN NET FUNDS

	1 January 2011 £000	Cash flow £000	Other non-cash changes £000	31 December 2011 £000
Cash at bank and in hand	3,163	2,986	-	6,149
Debts due within one year	(10)	10	-	-
Net funds	£ 3,153	£ 2,996	£ -	£ 6,149

24. PENSION COMMITMENTS

The group contributes to the personal pension plans of employees. The assets of the pension plans are held separately from those of the group in independently administered funds. The pension cost charge represents contributions payable by the group to the pension plans and amounted to £153,000 (2010 - £99,000). Contributions totalling £8,000 (2010 - £26,000) were payable to the pension plans at the Balance Sheet date and are included in creditors.

25. OPERATING LEASE COMMITMENTS

At 31 December 2011 the group had annual commitments under non-cancellable operating leases as follows

	Land and buildings 2011 £000	2010 £000
Group		
Expiry date.		
Between 2 and 5 years	174	120
After more than 5 years	448	297

At 31 December 2011 the company had annual commitments under non-cancellable operating leases as follows

	Land and buildings 2011 £000	2010 £000
Company		
Expiry date.		
Between 2 and 5 years	-	120

BRAND SLAM LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

26. RELATED PARTY TRANSACTIONS

At 31 December 2011, the company was owed £4,489,000 (2010 - £4,691,000) by FitFlop Limited, a subsidiary undertaking £3,600,000 (2010 - £4,138,000) of this amount is unsecured, bears interest at LIBOR plus 2.5% per annum (2010 - 4.5% per annum) and is repayable on demand. The remaining amount of £889,000 (2010 - £553,000) is unsecured, interest free and repayable on demand. Interest of £112,000 (2010 - £148,000) was received by the company during the year, of which £Nil (2010 - £10,000) was outstanding at 31 December 2011 and was included in accruals. During the year management charges and fees of £597,000 (2010 - £3,069,000) were received by the company from FitFlop Limited.

At 31 December 2011, the company was also owed £2,123,000 (2010 - £1,090,000) by Soap & Glory Limited, a subsidiary undertaking £1,750,000 (2010 - £Nil) of this amount is secured by a fixed and floating charge over Soap & Glory Limited's assets and bears interest at 3.5% above the Bank of England base rate. The loan was repaid in full in February 2012. The remaining amount of £373,000 (2010 - £1,090,000) is unsecured, interest free and repayable on demand. Interest of £18,000 (2010 - £Nil) and commitment fees of £13,000 (2010 - £Nil) were received by the company from Soap & Glory Limited. During the year management charges and fees of £146,000 (2010 - £857,000) were received by the company from Soap & Glory Limited.

Sales of £3,387,000 and purchases of £951,000 were made to a number of undertakings related to the 30% minority shareholder of Soap & Glory Limited. Amounts due from these undertakings of £81,000 and £3,107,000 were included in group trade debtors and group accrued income respectively at the year end. Amounts due to these undertakings of £79,000 were included in group trade creditors at the year end.

27. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The ultimate parent undertaking is Hold Firm Limited, a company incorporated in the British Virgin Islands.

The trustees of Ingodwe Trust have a controlling interest in Hold Firm Limited and are therefore considered to be the ultimate controlling party.